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SEC 04019790 COMMISSION  
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 33201

**FACING PAGE  
Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 07/01/03 AND ENDING 06/30/04  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Mitchell Capital Management, Inc. F.K.A. First Balboa Securities, Inc. ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  3187-D Airway Avenue  (No. and Street)  Costa Mesa, CA 92626  (City) (State) (Zip Code)	OFFICIAL USE ONLY  FIRM I.D. NO.
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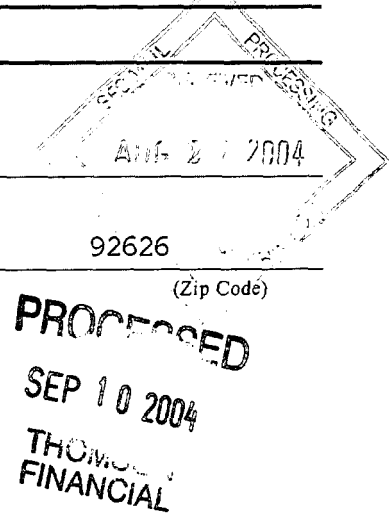
NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
James E. Mitchell (714) 432-5300  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

SWEEK, CONNOLLY & COMPANY  
(Name - if individual, state last, first, middle name)

3080 S. Bristol Street, Suite 100 Costa Mesa, CA 92626  
(Address) (City) (State) (Zip Code)



- CHECK ONE:
- ☒ Certified Public Accountant
  - ☐ Public Accountant
  - ☐ Accountant not resident in United States or any of its possessions.

<b>FOR OFFICIAL USE ONLY</b>

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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## OATH OR AFFIRMATION

I, James E. Mitchell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mitchell Capital Management, Inc., as of June 30, 2004, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



Karleen D. Monroe  
Notary Public

James E. Mitchell  
Signature

President  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**MITCHELL CAPITAL MANAGEMENT, INC.**

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

June 30, 2004



# MITCHELL CAPITAL MANAGEMENT, INC.

June 30, 2004

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Mitchell Capital Management, Inc.

We have audited the accompanying statement of financial condition of Mitchell Capital Management, Inc. as of June 30, 2004, and the related statements of income and comprehensive income, changes in stockholder's equity, cash flows, and changes in liabilities subordinated to claims of general creditors for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mitchell Capital Management, Inc. as of June 30, 2004, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sweek Connolly & Company*

Costa Mesa, California  
August 5, 2004

MITCHELL CAPITAL MANAGEMENT, INC.

STATEMENT OF FINANCIAL CONDITION

June 30, 2004

ASSETS

ALLOWABLE ASSETS:

Cash - City National Bank	\$ 46,796
Cash - Wedbush Securities, Inc.	<u>13,021</u>

Total cash	59,817
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Investments	<u>172,419</u>
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TOTAL ALLOWABLE ASSETS	232,236
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NON-ALLOWABLE ASSETS:

Prepaid insurance	782
Investments	<u>29,490</u>

TOTAL NON-ALLOWABLE ASSETS	<u>30,272</u>
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\$ 262,508
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LIABILITIES AND STOCKHOLDER'S EQUITY

A.I. INDEBTEDNESS:

Accounts payable and accrued expenses	\$ 1,416
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STOCKHOLDER'S EQUITY:

Common stock, no stated value; 100,000 shares authorized; 24,500 shares issued and outstanding	24,500
Additional paid-in capital	244,077
Retained earnings (deficit)	(55,137)
Accumulated other comprehensive income	<u>47,652</u>

TOTAL STOCKHOLDER'S EQUITY	<u>261,092</u>
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\$ 262,508
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See accompanying notes to financial statements.

MITCHELL CAPITAL MANAGEMENT, INC.

STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For The Year Ended June 30, 2004

REVENUE:	
Commission revenue	\$ 4,269
OPERATING EXPENSES:	
Salaries	4,500
Clearance charges	3,039
Dues and subscriptions	1,488
Insurance expense	782
Office Expense	1,248
Payroll tax expense	458
Professional services	10,200
Regulatory fees	840
Taxes and licenses	25
Medical expenses	<u>2,000</u>
TOTAL OPERATING EXPENSES	<u>24,580</u>
LOSS FROM OPERATIONS	(20,311)
PORTFOLIO INCOME:	
Interest income	6
Dividend income	13,935
Gain on sale of investments	<u>66</u>
TOTAL PORTFOLIO INCOME	<u>14,007</u>
LOSS BEFORE PROVISION FOR TAXES	(6,304)
PROVISION FOR INCOME TAXES	<u>800</u>
NET LOSS	(7,104)
OTHER COMPREHENSIVE INCOME:	
Unrealized gain on investments	<u>15,910</u>
COMPREHENSIVE INCOME	\$ <u><u>8,806</u></u>

See accompanying notes to financial statements.

**MITCHELL CAPITAL MANAGEMENT, INC.**

**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**

For The Year Ended June 30, 2004

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Net Retained Earnings (Deficit)</u>	<u>Accumulated Other Comprehensive Income</u>
Balance at July 1, 2003	\$ 24,500	\$ 190,132	\$ (48,033)	\$ 31,742
Net loss for the year	-	-	(7,104)	-
Cash contributed by shareholder	-	52,000	-	-
Assets contributed by shareholder	-	1,945	-	-
Change in net unrealized gain on investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,910</u>
	<u>\$ 24,500</u>	<u>\$ 244,077</u>	<u>\$ (55,137)</u>	<u>\$ 47,652</u>

See accompanying notes to financial statements.



MITCHELL CAPITAL MANAGEMENT, INC.

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2004

INCREASE (DECREASE) IN CASH

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss	\$ (7,104)
Adjustments to reconcile net loss to net cash consumed by operating activities:	
Gain on sale of investments	(66)
Changes in assets and liabilities:	
Decrease in commissions receivable and other receivable	466
Decrease in prepaid insurance	782
Increase in accounts payable and accrued expenses	824
NET CASH CONSUMED BY OPERATING ACTIVITIES	<u>(5,098)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Sale of investments	3,905
Purchase of marketable securities	<u>(12,239)</u>
NET CASH CONSUMED BY INVESTING ACTIVITIES	<u>(8,334)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Cash contributed by shareholder	<u>52,000</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>52,000</u>

NET DECREASE IN CASH	38,568
CASH, BEGINNING OF YEAR	<u>21,249</u>
CASH, END OF YEAR	<u>\$ 59,817</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Supplemental disclosures

Cash paid during the year for:	
Interest	\$ -
Income taxes	\$ 800

Noncash investing and financing activities

On September 11, 2003, the shareholder contributed marketable securities to the Company. Refer to Note 4 in the notes to financial statements for details.

See accompanying notes to financial statements.

**MITCHELL CAPITAL MANAGEMENT, INC.**

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED**

**TO CLAIMS OF GENERAL CREDITORS**

For The Year Ended June 30, 2004

BALANCE AT BEGINNING OF YEAR	\$ - 0 -
CHANGE DURING THE YEAR	<u>- 0 -</u>
BALANCE AT END OF YEAR	<u><u>\$ - 0 -</u></u>

See accompanying notes to financial statements.

**MITCHELL CAPITAL MANAGEMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

The Company is a registered broker-dealer incorporated under the laws of the state of California maintaining its office in Costa Mesa, California, and is subject to a minimum net capital requirement of \$100,000 under SEC Rule 15c3-1. The Company operates pursuant to the (K)(2)(i)(i) exemptive provision of SEC Rule 15c3-3 and does not hold customer funds or securities. To date, the Company's business has consisted of a general securities business, except municipals and options, on a fully disclosed basis.

**Method of Accounting**

The Company maintains its books and records on the accrual basis of accounting.

**Federal and State Income Taxes**

Deferred income tax assets and liabilities are computed annually for differences between the financial reporting and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# MITCHELL CAPITAL MANAGEMENT, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### NOTE 2 - INVESTMENTS

Investments at June 30, 2004, are classified as available-for-sale in accordance with FASB Statement No. 115 and presented at fair market value. Market values at June 30, 2004, are as follows:

Aggregate cost	\$ 154,579
Gross unrealized gain	<u>47,330</u>
Market value	<u><u>\$ 201,909</u></u>

Investments at June 30, 2004, are as follows:

	<u>Cost</u>	<u>Market Value</u>
Preferred stock:		
Case Pomeroy & Co., 1,223 shares Series A 10% Cumulative	\$ 7,664	\$ 9,784
Case Pomeroy & Co., 13 shares 6% Cumulative	53	101
Fresenius National Medical Care Holdings, Inc., 249 shares Pfd 6%	17,342	15,936
Common stock:		
ASA International Ltd., 550 shares	2,515	2,475
Bogue Electric, 7,500 shares	469	375
Crowley Maritime Corp., 1 share	1,250	1,160
Getty Realty Corp., 4,200 shares	76,976	105,672
Price Legacy Corp., 2,600 shares	37,553	47,996
United Mobile Homes Inc., 1,400 shares	10,757	18,410
	<u><u>\$ 154,579</u></u>	<u><u>\$ 201,909</u></u>

The increase in net unrealized holding gain on available-for-sale securities that has been included in shareholder's equity for the year ended June 30, 2004, is \$15,910.

The first-in, first-out method is used to determine the cost of each security at the time of sale.

MITCHELL CAPITAL MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE 3 - PROVISION FOR INCOME TAXES

The provision for income taxes for the year ended June 30, 2004, consists of the following:

Taxes currently payable -	
Federal	\$ -
State	800
	<u>800</u>
	<u>\$ 800</u>

The deferred tax asset and liability at June 30, 2004, include the following:

Deferred tax asset	\$ 20,154
Deferred tax liability	(4,030)
	<u>16,124</u>
Valuation allowance	(16,124)
	<u>\$ -</u>

The deferred tax asset results primarily from net operating loss carryforwards which may be applied against future taxable income. The deferred tax liability results primarily from unrealized holding gains on marketable securities. A valuation allowance has been recorded, as the Company does not expect to realize future tax benefits from the net operating losses. The increase in the valuation allowance for the year ended June 30, 2004, is \$7,061.

For tax purposes, the Company has \$103,345 and \$52,632 of unused federal and California operating loss carryforwards from the year ended June 30, 2004 that expire in various years through June 30, 2024 and June 30, 2014, respectively.

**MITCHELL CAPITAL MANAGEMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

**NOTE 4 - ASSETS CONTRIBUTED FROM SHAREHOLDER**

On September 11, 2003, the Company received 500 shares of common stock of Seven J Stock Farm, Inc. as a contribution from shareholder. Accordingly, the stock has been recorded at the fair market value of \$1,945 and additional paid-in capital has been increased.

**NOTE 5 - CASH CONTRIBUTED FROM SHAREHOLDER**

On October 10, 2003, the Company received \$12,000 and on June 24, 2004, \$40,000 as a contribution from shareholder. No additional shares of stock in the Company are to be issued.

**NOTE 6 - NET CAPITAL REQUIREMENTS**

The Company is subject to a \$100,000 minimum capital requirement under SEC Rule 15c3-1, which requires that the ratio of aggregate indebtedness shall not exceed 15 to 1. Net capital and the related net capital ratio fluctuate on a daily basis; however, as of June 30, 2004, the aggregate indebtedness to net capital ratio was .006 to 1 and the net capital was \$229,695 which exceeds the required minimum capital by \$129,695.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

The sole shareholder and members of his family hold investment accounts at the Company. The commissions earned on the sales transactions in these accounts, during the year ended June 30, 2004, was \$3,179.

The Company shares office space with several other entities controlled by the Company's sole shareholder. The rent is paid by the shareholder personally and the results of operations could be significantly different if it were to operate autonomously of the related entities.

SUPPLEMENTARY INFORMATION

MITCHELL CAPITAL MANAGEMENT, INC.

SCHEDULE I

COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1

June 30, 2004

TOTAL STOCKHOLDER'S EQUITY	\$ 261,092
LESS NON-ALLOWABLE ASSETS:	
Prepaid insurance	782
Clearing deposit in excess of \$10,000	1,125
Investments	<u>29,490</u>
NET CAPITAL	<u>\$ 229,695</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS

MINIMUM NET CAPITAL REQUIREMENT:	
(\$100,000 or 6 2/3% of aggregate indebtedness, whichever is greater)	<u>\$ 100,000</u>
NET CAPITAL FROM ABOVE	<u>\$ 229,695</u>
NET CAPITAL IN EXCESS OF MINIMUM	<u>\$ 129,695</u>

COMPUTATION OF RATIO OF AGGREGATE INDEBTEDNESS

TOTAL AGGREGATE INDEBTEDNESS	<u>\$ 1,416</u>
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>.006:1</u>
PERCENTAGE OF DEBT TO DEBT-EQUITY TOTAL COMPUTED IN ACCORDANCE WITH RULE 15c3-1(d)	<u>N/A</u>



MITCHELL CAPITAL MANAGEMENT, INC.

SCHEDULE II

RECONCILIATION OF NET CAPITAL

June 30, 2004

NET CAPITAL AS REPORTED IN UNAUDITED FOCUS REPORT PART IIA	\$ 202,311
ADJUSTMENTS TO INDEBTEDNESS	(415)
ADJUSTMENTS TO INVESTMENTS	11,045
ADJUSTMENTS TO HAIRCUTS ON SECURITIES	<u>16,754</u>
NET CAPITAL AS REPORTED IN AUDITED FINANCIAL STATEMENTS	\$ <u>229,695</u>

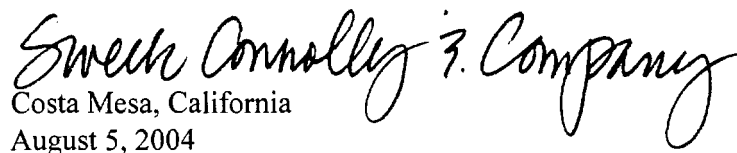
THE COMPUTATION OF NET CAPITAL AS REPORTED IN THE UNAUDITED PART I AND PART IIA FILING DIFFERS FROM THE NET CAPITAL AS REPORTED IN THE AUDITED FINANCIAL STATEMENTS.

To the Board of Directors  
Mitchell Capital Management, Inc.  
Page Two

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and our study, we believe that the Company's practices and procedures were adequate at June 30, 2004, to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used

  
Costa Mesa, California  
August 5, 2004